



**INVESTIGATION 225**

**ALLEGED DUMPING OF WHITE UNCOATED A4 AND A3 CUT  
SHEET PAPER (COPY PAPER)**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**VISIT REPORT – IMPORT AGENT**

**UPM-Kymmene Pty Ltd**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

**November 2013**

**Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**

**CONTENTS**

**CONTENTS..... 2**

**ABBREVIATIONS..... 3**

**1 BACKGROUND AND PURPOSE..... 4**

1.1 BACKGROUND..... 4

1.2 PURPOSE OF VISIT ..... 4

1.3 MEETING DETAILS ..... 5

1.4 INVESTIGATION PROCESS AND TIMEFRAMES ..... 5

1.5 VISIT REPORT ..... 6

**2 THE GOODS..... 7**

2.1 DESCRIPTION ..... 7

2.2 TARIFF CLASSIFICATION..... 7

**3 COMPANY DETAILS ..... 8**

3.1 COMMERCIAL OPERATIONS ..... 8

3.2 ACCOUNTING STRUCTURE AND DETAILS OF ACCOUNTING SYSTEMS..... 8

3.3 RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS ..... 8

3.4 LIKE GOODS..... 9

**4 AUSTRALIAN MARKET ..... 10**

4.1 GENERAL ..... 10

4.2 DISTRIBUTION AND SELLING ..... 10

4.3 SALES ..... 10

**5 IMPORTS..... 13**

5.1 VOLUME OF TRADE..... 13

5.2 FORWARD ORDERS ..... 13

5.3 VERIFICATION OF IMPORTS ..... 13

5.4 SELLING, GENERAL AND ADMINISTRATIVE (SG&A) COSTS..... 14

5.5 EXPORT PRICES FOR SELECTED SHIPMENTS ..... 14

**6 WHO IS THE IMPORTER AND EXPORTER ..... 15**

6.1 WHO IS THE IMPORTER? ..... 15

6.2 WHO IS THE EXPORTER? ..... 15

**7 ARMS LENGTH..... 16**

**8 GENERAL COMMENTS..... 16**

**9 RECOMMENDATIONS..... 16**

**10 APPENDICES AND ATTACHMENTS..... 17**

## PUBLIC RECORD

### ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Australian Paper	Paper Australia Pty Ltd
CFR	Cost and freight
Commission	Anti-Dumping Commission
FOB	Free On Board
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry
UPM	UPM-Kymmene Pty Ltd

Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd

PUBLIC RECORD

## **1 BACKGROUND AND PURPOSE**

### **1.1 Background**

On 17 September 2013, Paper Australia Pty Ltd (Australian Paper) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Minister for Industry (Minister) publish a dumping duty notice in relation to white uncoated A4 and A3 cut sheet paper (copy paper) exported to Australia from the People's Republic of China (China).

Australian Paper alleges that the Australian industry has suffered material injury caused by copy paper exported to Australia from China at dumped prices.

Australian Paper claims that, although imports of copy paper from China have been present (and their prices steadily declining) since 2009, in 2011 the volume of these imports began to rapidly escalate and injury to Australia Paper has occurred as a result (estimated to have begun in mid-2011).

The application identified the injurious effects from dumping as including:

- loss of sales volumes;
- loss of market share;
- price depression;
- reduced revenue;
- reduced return on investment; and
- reduced employment.

Public notification of the initiation of the investigation was made on 10 October 2013 in *The Australian* newspaper and Anti-Dumping Notice No. 2013/79.

### **1.2 Purpose of visit**

The purpose of the visit was to:

- Inquire into whether UPM-Kymmene Pty Ltd (UPM Australia) is an importer of copy paper;
- verify information on imports of copy paper to assist in the determination of export prices;
- establish whether the purchases of copy paper were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for copy paper; and

### **Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**

## PUBLIC RECORD

- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	UPM-Kymmene Pty Ltd Level 6, 53 Berry Street North Sydney NSW 2060 Australia
Dates of visit	6 November 2013

The following were present at the meeting.

UPM-Kymmene Pty Ltd	Marcus Lindh – Managing Director Kirinda Bakker – Customer Service Specialist Team Leader
Anti-Dumping Commission	Nicole Platt – Manager – Operations 2 Michael Kenna – Manager – Operations 2

### 1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 July 2012 to 30 June 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the impact of any dumping on the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 December 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD unless it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 January 2014, or such later date as the Minister allows under s.269ZHI of the Customs Act 1901 (the Act).
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

**Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**

PUBLIC RECORD

## **PUBLIC RECORD**

This final report is due no later than 14 March 2014, unless an extension to the SEF is approved by the Minister.

### **1.5 Visit report**

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

**Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**

**PUBLIC RECORD**

## **2 THE GOODS**

### **2.1 Description**

The goods the subject of the application (the goods) are:

*Uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 70 to 100 gsm and cut to sheets of metric sizes A4 (210mm x 297mm) and A3 (297mm x 420mm) (also commonly referred to as cut sheet paper, copy paper, office paper or laser paper).*

The paper is not coated, watermarked or embossed and is subjectively white. It is made mainly from bleached chemical pulp and/or from pulp obtained by a mechanical or chemical process and/or from recycled pulp.

### **2.2 Tariff classification**

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 4802.56.10, statistical codes 03 and 09; and
- 4802.56.90, statistical code 19

Tariff subheading 4802.56.10 refers to A4 copy paper and 4802.56.90 relates to A3 copy paper. These goods are subject to 5% Customs duty.

### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

UPM Australia is a wholly owned subsidiary of UPM-Kymmene Corporation, the Finnish parent company of a global paper and forest products group. UPM-Kymmene Corporation was established in 1995 with the merger of Kymmene Corporation, Repola Ltd and its subsidiary United Paper Mills Ltd. UPM-Kymmene Corporation has over 100 manufacturing facilities in 17 countries around the world. A copy of the UPM-Kymmene Corporation Annual Report for 2012 is at **attachment 1**.

UPM Australia has been operating in Australia for almost 40 years as a sales agent for the paper products of the UPM-Kymmene Group. Prior to UPM Australia being established, independent sales agents facilitated the sale of UPM-Kymmene products in Australia.

UPM Australia XX [export transaction details] receives a commission from UPM Asia Pacific, UPM's regional export selling arm, for facilitating the sales in Australia. Prominent paper products sold in Australia from the UPM-Kymmene Group include cut size paper (copy paper), newsprint, coated mechanical and woodfree uncoated paper.

UPM has 10 staff located in its Sydney office.

In the investigation period, UPM Australia facilitated the importation of XXXXXXXXXXXX [import volumes] of paper products into its region of responsibility (Australia, New Zealand and some Pacific islands) of which XXXXXXXXXXXX [import volumes] was copy paper imported into Australia.

#### 3.2 Accounting structure and details of accounting systems

UPM Australia is a limited liability company registered in Australia. Its accounts are audited by PricewaterhouseCoopers and its financial year is the calendar year. UPM Australia provided us with a copy of its Annual Report including financial statements and auditor's report (**confidential attachment 2**).

#### 3.3 Relationship with suppliers and customers

UPM Australia acts as an agent on behalf of UPM Asia Pacific Pte Ltd. Copy paper imported from China is manufactured by UPM (China) Co., Ltd, a company located in Changsu, Jiangsu Province, and sold to Australian customers by the Group's Singapore registered sales company, UPM Asia Pacific Pte Ltd.

UPM Australia stated that it is not related to any of the Group's copy paper customers in Australia.

### **3.4 Like goods**

UPM Australia provided specification sheets for XXXXX 'grades' of copy paper it facilitates the importation of from China (**Confidential Attachment 3**). The XXXX grades are differentiated primarily on the whiteness of the paper as measured by what is known in the industry as CIE. UPM Australia paper is XXXXXXXXXXXXXXXXXXXXXXX [CIE details].

UPM Australia explained that the other main variation in copy paper specification is the paper density as measured in grams per square metre (gsm). Copy paper is typically manufactured to XX gsm or XX gsm. UPM Australia advised that almost all copy paper imported into Australia by the Group is XX gsm. [gsm details]

The product specification sheets list a number of other specifications such as bulk, opacity and 'roughness bendtsen' however UPM Australia stated that these specifications were largely a function of the two main factors (CIE and density) and were not determinants of cost or price.

Prior to the visit UPM Australia had emailed us an explanation of the product codes used and which products are sold to which customers. The email is at **confidential Attachment 4**.

UPM Australia stated that imported copy paper from China and copy paper produced by the Australian industry were very similar in terms of specifications and quality and were interchangeable in the market. It appears that the Australian industry produces a like good to copy paper manufactured by UPM (China) Co., Ltd and exported to Australia.





## **PUBLIC RECORD**

extract from UPM Australia's agency agreement with UPM Asia Pacific Pte Ltd  
(**Confidential Attachment 11**).

### **4.3.4 Profitability of sales**

As discussed further at 6.1 below, we do not regard UPM Australia to be the importer of copy paper from China. Nevertheless, we have examined whether UPM Australia is making a loss in respect of commissions received on copy paper imported from China.

UPM Australia received a commission of XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX. UPM Australia calculated that its expenses XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX. [commission details] We have verified these amounts (discussed at 5.4 below) and consider that UPM Australia is trading profitably in respect of its role in imports of copy paper from China.



**PUBLIC RECORD**

and attendance. We ensured that the information on the invoices had been accurately recorded in the spreadsheet at Part B of the Importer Questionnaire response.

For import transaction lines representing part of a shipment, UPM Australia allocated importation costs based on the volume that the line represented of the total shipment volume.

**5.4 Selling, general and administrative (SG&A) costs**

UPM Australia provided a report showing its revenue income per month and a detailed breakdown of its expenses for each month in the investigation period (**Confidential Attachment 15**). UPM Australia used this information to estimate that, XXXXXXXX  
XX  
XXXXXXXXXXXX. [cost estimates]

To reconcile these revenue and expense figures to UPM Australia’s audited financial statements, we requested that UPM Australia provide a monthly breakdown of revenue and expenses for its most recently completed financial year – calendar year 2012 (**Confidential Attachment 16**). The total amounts shown in the monthly breakdown for 2012 matched UPM Australia’s audited financial statements. Monthly amounts for the second half of 2012 match the amounts shown for July to December 2012 in the schedule for the investigation period. On this basis we are satisfied that the SG&A information provided by UPM Australia is accurate and reasonable.

We queried two revenue amounts appearing in the financial statements in addition to the commission income earned by UPM Australia. These amounts are described as XXXXXXXXXXXXXXXXXXXXXXXXXXXX. UPM Australia explained that XXXXX  
XX  
XX. An extract from UPM Australia’s accounts showing income XXXXXXXXXXXXXXXXXXXXXXX is at **Confidential Attachment 17**). [Details of revenue item]

UPM Australia further explained that XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XX  
XX  
XX  
XXXXXXXXXXXX (**Confidential Attachment 18**). [Details of revenue item]

**5.5 Export prices for selected shipments**

UPM Australia listed FOB prices for the selected shipments in the spreadsheet at Part B of its importer questionnaire response. The prices listed were taken from XXXXXXXXX  
XX  
XX  
XXXXXXXXXXXX. [sources of prices]

We noted that, for transaction lines for part shipments, UPM Australia had calculated an FOB value for the line by apportioning XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.  
[allocation method] In our view, this did not properly reflect what were, in some instances,



## **PUBLIC RECORD**

manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

Subject to further inquiries, we believe that UPM (China) Co., Ltd is

the exporter of copy paper imported into by the Australian customers of UPM Asia Pacific Pte Ltd.

### **7 ARMS LENGTH**

UPM Australia acts as an agent in the importation of copy paper from China. We are satisfied that commission paid to UPM Australia cover its expenses and that it trades profitably. However we were unable to assess whether the imported goods are sold in Australia at a loss and recommend that further inquiries be made with the relevant parties in this regard.

On the information available, we have no reason to conclude that the sales transactions between UPM Asia Pacific Pte Ltd and Australian customers are not arms length transactions.

### **8 GENERAL COMMENTS**

UPM Australia advised that UPM (China) Co., Ltd is completing an exporter questionnaire response and expects to return it to the Commission by the due date.

UPM Australia advised that UPM (China) Co., Ltd operates two very modern and efficient paper machines at its factory in Changsu.

### **9 RECOMMENDATIONS**

From our investigations, we are of the opinion that, for the goods manufactured by UPM (China) Co., Ltd and exported to Australia:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importers were arms length transactions.

Subject to further inquiries with other parties involved in the transactions, we recommend that the export price for copy paper manufactured by UPM (China) Co., Ltd can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

**Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**

**PUBLIC RECORD**

**10 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Revised FOB calculations
<b>Attachment 1</b>	UPM-Kymmene Corporation Annual Report 2012
<b>Confidential Attachment 2</b>	UPM Australia Annual Report 2012
<b>Confidential Attachment 3</b>	Copy paper specification sheets
<b>Confidential Attachment 4</b>	Product code explanation
<b>Confidential Attachment 5</b>	Market share breakdown
<b>Confidential Attachment 6</b>	XXXXX rebate documents
<b>Confidential Attachment 7</b>	Selected sales documents
<b>Confidential Attachment 8</b>	Documents for selected import shipments
<b>Confidential Attachment 9</b>	Schedule of sales volumes and commission
<b>Confidential Attachment 10</b>	Detailed sales listing for select month (all products)
<b>Confidential Attachment 11</b>	Agency agreement extract with commission rate
<b>Confidential Attachment 12</b>	Sales summary XXXXXX imports
<b>Confidential Attachment 13</b>	Sales summary XXXXXX imports
<b>Confidential Attachment 14</b>	Sales summary for all paper imports
<b>Confidential Attachment 15</b>	Report of monthly revenue and expenses (POI)
<b>Confidential Attachment 16</b>	Report of monthly revenue and expenses - 2012
<b>Confidential Attachment 17</b>	Supply chain charges extract
<b>Confidential Attachment 18</b>	Sample 'intercompany charges' invoices

**Copy Paper – Importer Visit Report – UPM-Kymmene Pty Ltd**